

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name FRED C. FISCHER LIBRARY	County WAYNE
Fiscal Year End SEPTEMBER 30, 2005	Opinion Date MAY 4, 2007	Date Audit Report Submitted to State	

We affirm that:

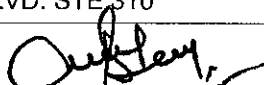
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☐ ☒ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C.		Telephone Number (313) 873 7500	
Street Address 2990, W. GRAND BLVD. STE 310		City DETROIT	State MI
Zip 48202			
Authorizing CPA Signature 	Printed Name ANIL SAKHUJA	License Number 110102118	

# **Fred C. Fischer Library**

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**Financial Report  
with Supplemental Information  
September 30, 2005**

# **Fred C. Fischer Library**

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**Alan C.  
Young & Associates, P.C.**  
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**Independent Auditor's Report**

To the Tri-Community Library Committee  
Fred C. Fischer Library

We have audited the accompanying basic financial statements of the Fred C. Fischer Library as of and for the year ended September 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Fred C. Fischer Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Fred C. Fischer Library as of September 30, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally its accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

*Alan C. Young, Assoc.*

May 4, 2007

# Fred C. Fischer Library

## Governmental Fund Balance Sheet/Statement of Net Assets September 30, 2005

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 210,402	\$ -	\$ 210,402
Due from other governmental units	46,608	-	46,608
Prepaid expenses	14,498	-	14,498
Capital assets - Net (Note 5)	-	1,070,919	1,070,919
Total assets	<u><b>\$ 271,508</b></u>	1,070,919	1,342,427
<b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 25,024	-	25,024
Accrued liabilities	167,659	-	167,659
Accrued wages payable	2,045	-	2,045
Total liabilities	194,728	-	<u>194,728</u>
<b>Fund Balance - Unrestricted</b>	<u>76,780</u>		
Total liabilities and fund balance	<u><b>\$ 271,508</b></u>		
<b>Net Assets</b>			
Invested in capital assets			1,070,919
Unrestricted			<u>76,780</u>
Total net assets			<u><b>\$ 1,147,699</b></u>

# Fred C. Fischer Library

## Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended September 30, 2005

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
<b>Revenue</b>			
Member contributions (Note 4)	\$ 641,849	\$ (30,949)	\$ 610,900
Interest income	4,547	-	4,547
State aid	35,161	-	35,161
Local library fines and fees	135,588	-	135,588
Contributions and donations	13,356	-	13,356
Miscellaneous	8,650	-	8,650
Total revenue	839,151	(30,949)	808,202
<b>Expenditures</b>			
Salaries	349,718	-	349,718
FICA	4,648	-	4,648
Benefits	169,429	-	169,429
Books	101,329	-	101,329
Supplies	9,958	-	9,958
Professional fees	24,643	-	24,643
Dues	1,077	-	1,077
Contracted services	32,393	-	32,393
Administration fees	75,693	-	75,693
Telephone	7,703	-	7,703
Insurance	7,169	-	7,169
Utilities	19,694	-	19,694
Repairs and maintenance	4,501	-	4,501
Printing and publications	14,160	-	14,160
Postage	4,320	-	4,320
Computer hardware/software	9,717	(9,106)	611
Depreciation	-	451,015	451,015
Miscellaneous	17,914	-	17,914
Total expenditures	854,066	441,909	1,295,975
<b>Excess of Expenditures Over Revenue/ Change in Net Assets</b>	(14,915)	(472,858)	(487,773)
<b>Fund Balance/Net Assets - October 1, 2004</b>	91,695	1,543,777	1,635,472
<b>Fund Balance/Net Assets - September 30, 2005</b>	<u>\$ 76,780</u>	<u>\$ 1,070,919</u>	<u>\$ 1,147,699</u>

# **Fred C. Fischer Library**

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## **Notes to Financial Statements September 30, 2005**

### **Note I - Summary of Significant Accounting Policies**

The Fred C. Fischer Library (the "Library") is an intergovernmental agency with the City of Belleville, Van Buren Township, and Sumpter Township. Its purpose is to provide library services to the residents of all the participating communities. Accordingly, the participating communities provide annual funding for its operations.

Prior to March 1999, the Library's accounting records were maintained by Wayne County. After March 1999, the three communities became responsible for the financial management of the Library, thus creating the intergovernmental agency. According to the Tri-Community Agreement, the Library is considered a branch of the Wayne County Library.

#### **Reporting Entity**

The Library is governed by a three-member board that consists of one representative from each community as appointed by the respective municipalities. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The Library's only fund, the General Fund, accounts for all financial resources of the Library. There are no component units required to be included in the Library's financial report.

#### **Basis of Accounting**

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets and the statement of activities) are recorded using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member contributions are recognized as revenue in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Cash Equivalents** - The Library considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Fixed Assets** - A majority of the fixed assets of the Library, including the building the Library currently occupies, are owned by the participating communities. Capital assets owned by the Library, including subsequent building additions funded by the Library, are reported in the statement of net assets. Capital assets are defined by the Library as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of one year. However, books and periodicals are identified by management at acquisition regardless of dollar amount and capitalized accordingly. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books and periodicals	5 to 15 years
Building additions	39 years
Building improvements	15 years
Computers	5 years



### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

### **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated one bank for the deposit of its funds.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, all of the Library's bank deposits (checking accounts) were insured and collateralized. The Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2005

### Note 2 - Deposits and Investments (Continued)

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 196,279	Not rated	N/A

The Library's investments are included with the City of Belleville's investments. The City of Belleville is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

### Note 3 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library is covered under the City of Belleville's commercial insurance for medical benefits, workers' compensation, and general liability claims. The City has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2005

### Note 4 - Member Contributions

Contributions made to the Library are as follows:

- \$641,849 was contributed in total to the Fred C. Fischer Library by the participating communities for the year ended September 30, 2005. Contributions were collected on a quarterly basis by the City of Belleville on behalf of the Library.
- The following is an analysis of member contributions for the year ended September 30, 2005:

	Quarterly Payment per the 2004-2005 Budget	Total Payments Received During Fiscal Year Ended September 30, 2005
Revenue contributed by member community:		
City of Belleville	\$ 16,952	\$ 98,759
Sumpter Township	38,181	152,725
Van Buren Township	<u>97,591</u>	<u>390,365</u>
Total governmental fund modified accrual revenue	<u>\$ 152,724</u>	641,849

Amounts reported in the statement of activities are different because:

Revenue reported in the statement of activities in a previous year that provided current financial resources and is reported as revenue in the governmental fund in the year collected	<u>(30,949)</u>
Total government-wide full accrual revenue	<u>\$ 610,900</u>

The Library recognized revenue which was deferred as of September 30, 2004, in the amount of \$30,949, representing the third and fourth quarter payments of fiscal year ended September 30, 2004 contributions for the City of Belleville.

The Library uses a support formula to determine the annual amount that each of the participating communities will contribute to the Library. This formula is determined based on three equally weighted factors: usage, population, and tax base. This percentage is multiplied by the total budgeted amount for local payments in order to determine the amount to be paid by each community.

# Fred C. Fischer Library

## Notes to Financial Statements September 30, 2005

### Note 5 - Capital Assets

Capital asset activity of the Fred C. Fischer Library's governmental activities is as follows:

<b>Governmental Activities</b>	Balance October 1, 2004	Additions	Disposals and Adjustments	Balance September 30, 2005
Capital assets being depreciated:				
Books and periodicals	\$ 3,442,215	\$ -	\$ -	\$ 3,442,215
Buildings	452,634	-	-	452,634
Building improvements	130,467	2,550	-	133,017
Computers	32,293	6,556	-	38,849
Subtotal	4,057,609	9,106	-	4,066,715
Accumulated depreciation:				
Books and periodicals	2,284,118	420,227	-	2,704,345
Buildings	181,054	15,088	-	196,142
Building improvements	66,047	8,868	-	74,915
Computers	13,562	6,832	-	20,394
Subtotal	2,544,781	451,015	-	2,995,796
Net capital assets being depreciated	1,512,828	(441,909)	-	1,070,919
Net capital assets	<u>\$ 1,512,828</u>	<u>\$ (441,909)</u>	<u>\$ -</u>	<u>\$ 1,070,919</u>

### Note 6 - Budget Information

The annual budget is prepared by the Library director, submitted to the Tri-Community Library Committee for their approval, and then submitted to each of the participating communities' council or board for adoption; subsequent amendments are also submitted by the Tri-Community Library Committee to each of the participating communities' council or board for approval. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2005 has not been determined. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

### **Note 6 - Budget Information (Continued)**

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the participating communities' board or council and the Tri-Community Library Committee is included in the following required supplemental information.

For the year ended September 30, 2005, the Library incurred expenditures that were in excess of the amounts budgeted related to salaries, benefits, book acquisitions, and administration fees. These expenses are billed to the Library by the County and final amounts were received by the Library subsequent to year end. Therefore, the Library was not able to properly amend the budget prior to year end.

## **Required Supplemental Information**

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# Fred C. Fischer Library

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2005

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenue</b>				
Member contributions	\$ 610,900	\$ 610,900	\$ 641,849	\$ 30,949
Interest income	2,000	2,000	4,547	2,547
State aid	30,000	30,000	35,161	5,161
Local library fines and fees	104,000	135,000	135,588	588
Contributions and donations	1,000	12,700	13,356	656
Miscellaneous	6,800	6,800	8,650	1,850
Total revenue	754,700	797,400	839,151	41,751
<b>Expenditures</b>				
Salaries	343,500	343,500	349,718	(6,218)
FICA	4,500	4,500	4,648	(148)
Benefits	115,000	146,000	169,429	(23,429)
Books	85,000	85,000	101,329	(16,329)
Supplies	9,000	9,000	9,958	(958)
Professional fees	5,100	23,100	24,643	(1,543)
Dues	1,000	1,000	1,077	(77)
Contracted services	41,500	41,500	32,393	9,107
Administration fees	61,000	61,000	75,693	(14,693)
Telephone	10,500	10,500	7,703	2,797
Insurance	8,100	8,100	7,169	931
Utilities	24,200	24,200	19,694	4,506
Repairs and maintenance	4,000	14,000	4,501	9,499
Printing and publications	17,000	17,000	14,160	2,840
Postage	6,000	6,000	4,320	1,680
Computer hardware/software	10,500	10,500	9,717	783
Miscellaneous	8,800	20,500	17,914	2,586
Total expenditures	754,700	825,400	854,066	(28,666)
<b>Excess of Expenditures Over Revenue</b>	-	(28,000)	(14,915)	13,085
<b>Fund Balance - October 1, 2004</b>	91,695	91,695	91,695	-
<b>Fund Balance - September 30, 2005</b>	<u>\$ 91,695</u>	<u>\$ 63,695</u>	<u>\$ 76,780</u>	<u>\$ 13,085</u>

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May 4, 2007

Tri-Community Library Committee  
Fred C. Fischer Library  
6 Main Street  
Belleville, MI 48111

We have audited the basic financial statements of the Fred C. Fischer Library (the Library) for the year ended September 30, 2005, and have issued our report thereon dated May 4, 2007.

In planning and performing our audit of the basic financial statements of the Library for the year ended September 30, 2005, we considered the Library's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We have not considered internal control since the date of this report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. These comments and recommendations, all of which have been discussed with the appropriate members of the management, are intended to improve internal control or result in other operating efficiencies and are summarized in Appendix A.

Our audit procedures are designed primarily to enable us to form opinions on the basic financial statements, and therefore may not bring to light all weaknesses in policies and procedures that may exist. We aim, however, to use our knowledge of the Library's organization gained during our work to make comments and suggestions that we hope will be useful to you.

This letter is intended solely for the information of officials of the Library of Fred C. Fischer Library, and others within the Library. However, this letter is a matter of public record, and its distribution is not limited.

Sincerely,



Alan C. Young & Associates, P.C.  
Certified Public Accountants



**BANK RECONCILIATIONS**

During our procedures, we noted that at year-end the Library was not current with their bank reconciliations. Bank reconciliations are an important control feature for the Library that helps prevent and detect material misstatements in the Library's general ledger. A significant effort was made by the Library to rectify this situation, and when the audit started in May, 2007, all bank accounts were properly reconciled.

Timely and accurate bank reconciliations are the cornerstone of any effective system of internal control. Bank reconciliations should be done on a timely basis. There should be an independent review of the reconciliation and the reconciling items on a regular basis.